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GOOGLE INC.

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN FRANCISCO DIVISION

ORACLE AMERICA, INC.,

Plaintiff,

v.

GOOGLE INC.,

Defendant.

Case No. 3:10-cv-03651 WHA

**GOOGLE INC.'S NOTICE OF MOTION
AND MOTION TO STRIKE PORTIONS
OF DR. JAMES KEARL'S EXPERT
REPORT**

Dept.: Courtroom 8, 19th Floor
Judge: Hon. William Alsup

1 PLEASE TAKE NOTICE that on April 9, 2012, or as soon thereafter as counsel may be
2 heard, Defendant Google Inc. ("Google") will, and hereby does, respectfully move to exclude
3 portions of the opinions and testimony of Dr. James Kearn. This Motion is based on the following
4 memorandum of points and authorities in support, the Declaration of Daniel Purcell ("Purcell
5 Decl.") and accompanying exhibits, the entire record in this matter, and on such evidence as may
6 be presented at the hearing of this Motion.

7
8 Dated: April 2, 2012

KEKER & VAN NEST LLP

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10 By: /s/ Robert A. Van Nest
ROBERT A. VAN NEST

11 Attorneys for Defendant
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ORACLE AMERICA, INC.,

Plaintiff,

v.

GOOGLE INC.,

Defendant.

Case No. 3:10-cv-03651 WHA

**GOOGLE'S MEMORANDUM OF POINTS
AND AUTHORITIES IN SUPPORT OF
ITS MOTION TO STRIKE PORTIONS OF
DR. JAMES KEARL'S EXPERT REPORT**

Dept.: Courtroom 8, 19th Floor
Judge: Hon. William Alsup

1 At his deposition last week, the Court's appointed Rule 706 damages expert, Dr. James R.
 2 Kearl, acknowledged that one narrow aspect of his expert opinion is inconsistent with governing
 3 law (and this Court's prior orders) regarding the requirement that a reasonable royalty be based
 4 only on the intellectual property at issue in this case. Accordingly, Google files this conditional
 5 and limited motion to strike to confirm that Dr. Kearl will not be allowed to offer such testimony
 6 in the damages phase of trial.

7 In his March 20, 2012 report, Dr. Kearl began his damages calculation (as Oracle's expert
 8 Dr. Iain Cockburn had done) by looking at the 2006 negotiations between Sun and Google for a
 9 technology partnership including a bundle of intellectual-property rights. Dr. Kearl calculated the
 10 percentage of the value of the total 2006 Sun bundle attributable to the intellectual property in
 11 suit: the '104 patent (2.38% of the total bundle), the '520 patent (.07% of the bundle), and the 37
 12 purportedly copyrighted API packages (together 1.9% of the bundle). Kearl Report ¶ 111 & n.63;
 13 *id.* at Table 7. Google is not moving to strike Dr. Kearl's apportionment analysis.

14 But before apportioning the bundle, Dr. Kearl also opined that, as a matter of economics,
 15 no apportionment is appropriate, and that Google should be charged a royalty for the entire
 16 bundle—not merely the intellectual property in suit. Kearl Report ¶¶ 97-105. Dr. Kearl reasoned
 17 that “none of the experts has cited to any evidence that Sun ever negotiated licenses for individual
 18 patents or for small subsets of its IP portfolio.” *Id.* ¶ 99. “To the contrary, it appears that Sun's
 19 negotiations with various parties were always for a Java IP portfolio, often only vaguely
 20 specified.” *Id.* Dr. Kearl opined that, if Google knew during the 2006 negotiations which of the
 21 Sun patents and copyrights ultimately would be useful to Android, the negotiation over the bundle
 22 would really have been a negotiation over that specific IP. (There is no evidence that Google
 23 knew anything specific about the contents of the Sun bundle in 2006, and Dr. Kearl cites none.)
 24 Alternatively, Dr. Kearl opined that, if Google did not know which of the Sun patents and
 25 copyrights would be useful to Android, it may have wanted to keep open multiple options as to
 26 how to design Android or to buy insurance against future infringement claims by Sun. *Id.* ¶¶ 100-
 27 103. “*Setting aside what the law may require*,” Dr. Kearl wrote, “my best economic advice is
 28 that there are good economic reasons why *value of the in suit IP in this matter is the 2006 value*

1 *of a hypothetical negotiation for the entire Java ME IP portfolio.” Id.* ¶ 104 (emphases added).

2 At deposition, Dr. Kearl readily conceded that his economic judgment was in tension with
3 the requirements of the law and the Court’s prior orders:

4 Q. Doesn't the hypothetical negotiation in this case presuppose a
5 negotiation over just the intellectual property in suit?

6 A. *I understand that is what the law requires.* This opinion simply says
7 that doesn't make a lot of sense to an economist, but—and Judge Alsup asked for
8 my best economic view, so here it is.

9 Q. So I know the answer to this question already, but you have reviewed
10 Judge Alsup's orders in this case?

11 A. I have.

12 Q. I'm sure you have read them carefully?

13 A. I've read them carefully.

14 Q. You have reviewed the transcripts of the various hearings inform
15 damages experts in this case?

16 A. I have.

17 Q. Do you perceive any tension between your opinion in section K of
18 your report and any of Judge Alsup’s orders or statements?

19 [Objections to form]

20 THE WITNESS: *I can imagine there will be some tension, yes.*

21 Purcell Decl. Ex. A (Kearl Depo.) at 157:7-158:6 (emphases added).

22 Indeed, the Court previously disapproved of exactly this same reasoning when Oracle and
23 Dr. Cockburn employed it in their first damages report last summer. There, Dr. Cockburn
24 calculated damages for Google’s purported use of “Java,” without separating out the asserted
25 patents and copyrights from the remainder of Oracle’s various Java platforms not at issue. The
26 Court rejected that sort of broad-brush analysis, ruling that it “runs afoul of controlling law.” July
27 22, 2011 Order [Dkt. 230] at 5.

28 The reasonable royalty to be calculated is “a reasonable royalty *for the use made
of the invention* by the infringer.” 35 U.S.C. 248 (emphasis added). *Java was
not the invention. Only the claims asserted were the invention.*

Therefore, the hypothetical license must be limited to the asserted claims—
excluding the rest of the Java platform. That “[t]he intellectual property at issue
here was generally bundled into the technologies that Sun licensed on a portfolio

basis” because “Sun’s practice was to license Java, not to license individual patents,” does not change this statutory requirement (Weingaertner Exh. A at ¶ 132). An opinion that the hypothetical negotiation would have resulted in a Java license simply fights the hypothetical.

July 22, 2011 Order [Dkt. 230] at 5-6 (emphases in original).

Not only does section 248 require that any reasonable royalty be tied to “the use made of the invention” at issue in the case, myriad federal appellate opinions bar plaintiffs from recovering damages for related or ancillary intellectual property that is not asserted in litigation or used by the defendant. Two years ago, in *RestQNet.com, Inc. v. Lansa, Inc.*, 594 F.3d 860 (Fed. Cir. 2010), the Federal Circuit held that “[a]t all times, the damages inquiry must concentrate on compensation for the economic harm caused **by infringement of the claimed invention.**” *Id.* at 869 (emphasis added). In its July 22, 2011 Order, the Court cited this language from *RestQNet*, explaining that the Federal Circuit meant that “[t]he hypothetical license therefore must be tailored to **the amount and type of infringement that actually occurred**” and that “[t]he reasonable royalty must compensate for the infringing features, but not for non-infringing ones.” July 22, 2011 Order [Dkt. 230] at 8 (emphasis added); *see also, e.g., Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1332 (Fed. Cir. 2009) (hypothetical negotiation analysis must “elucidate how the parties would have valued **the patented feature** during the hypothetical negotiation”) (emphasis added); *Panduit Corp. v. Stahl Bros. Fibre Works, Inc.*, 575 F.2d 1152, 1159 (6th Cir. 1978) (“the relevant facts” in a hypothetical negotiation analysis include (1) “what plaintiff’s property was”; (2) “to what extent defendant has taken it”; and (3) “its usefulness and commercial value as shown by its advantages over other things and by the extent of its use”).

The Court reaffirmed this analysis in its January 9, 2012 Order partially granting Google’s motion to strike the second Cockburn report, making clear that “[i]f the \$100 million offer in 2006 is used as the starting point,” as Dr. Kearl has also done here, “then a fair apportionment of the \$100 million as between the technology in suit and the remainder of the technology then offered must be made.” Jan. 9, 2012 Order [Dkt. 685] at 8. Similarly, the Court’s March 13, 2012 Order partially granting Google’s motion to strike the third Cockburn’s report also required apportionment and struck aspects of Dr. Cockburn’s report for apportionment problems. Mar. 13,

1 2012 Order [Dkt. 785] at 3-5 (striking the upper bound of Dr. Cockburn’s apportionment under a
2 “group-and-value approach”); *id.* at 10-11 (requiring deduction from total value of 2006 Sun
3 bundle to account for value of unasserted copyrights); *id.* at 11-13 (striking Dr. Cockburn’s
4 “independent significance approach” for failing to follow the apportionment guidelines in January
5 9, 2012 Order).

6 The opinions in paragraphs 97 through 105 of Dr. Kearl’s report are inconsistent with the
7 law and this Court’s orders. To the extent Dr. Kearl plans to offer them at trial, they would be
8 only confusing, not helpful, to the jury in calculating a legally permissible measure of damages in
9 this case. Google respectfully asks the Court to exclude those opinions.

10
11 Dated: April 2, 2012

KEKER & VAN NEST LLP

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13 By: /s/ Robert A. Van Nest
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